

PRESCRIPTION DRUG DISCOUNTS. STATE-NEGOTIATED REBATES. INITIATIVE STATUTE.

Official Title and Summary

Prepared by the Attorney General

PRESCRIPTION DRUG DISCOUNTS. STATE-NEGOTIATED REBATES. INITIATIVE STATUTE.

- Provides for prescription drug discounts to Californians who qualify based on income-related standards, to be funded through rebates from participating drug manufacturers negotiated by California Department of Health Services.
- Prohibits new Medi-Cal contracts with manufacturers not providing the Medicaid best price to this program, except for drugs without therapeutic equivalent.
- Rebates must be deposited in State Treasury fund, used only to reimburse pharmacies for discounts and to offset costs of administration.
- At least 95% of rebates must go to fund discounts.
- Establishes oversight board.
- Makes prescription drug profiteering, as described, unlawful.

SUMMARY OF LEGISLATIVE ANALYST'S ESTIMATE OF NET STATE AND LOCAL GOVERNMENT FISCAL IMPACT:

- One-time and ongoing state costs, potentially in the low tens of millions of dollars annually, for administration and outreach activities for a new drug discount program. A significant share of these costs would probably be borne by the state General Fund.
- State costs, potentially in the low tens of millions of dollars, to cover the funding gap between when drug rebates are collected by the state and when the state pays funds to pharmacies for drug discounts provided to consumers. Any such costs not covered through advance rebate payments from drug makers would be borne by the state General Fund.
- Unknown potentially significant net costs or savings as a result of provisions linking state Medi-Cal rebate contracts and the new drug discount program.
- Unknown potentially significant savings for state and county health programs due to the availability of drug discounts.
- Unknown costs and revenues from the provisions regarding lawsuits over profiteering on drug sales.
- Potential unknown effects on state revenues and expenditures from changes in prices and quantities of drugs sold in California.

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

Prescription Drug Coverage. Currently, several state and federal programs provide prescription drug coverage to eligible individuals. The state's Medi-Cal Program, which is administered by the Department of Health Services (DHS), provides prescription drugs for low-income children and adults. The state's

Managed Risk Medical Insurance Board administers the Healthy Families Program, which provides prescription drugs for children in low-income and moderate-income families who do not qualify for Medi-Cal.

Beginning January 2006, the federal government will provide prescription drug coverage to persons also enrolled in Medicare, a federal health program for elderly and disabled persons. (This would include